

MEMORANDUM FOR:

Mr Colby

Executive Registr

74-1390/7

*re: the Bell System &
"presentation" of intelli-
gence.*



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(DATE)

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BELL REPORT ASKS A PUBLIC STRATEGY

A.T.&T. Outline Appears an
Effort to Counter F.C.C.
Rulings for Competition

By DAVID BURNHAM
Special to The New York Times

WASHINGTON, June 18—A confidential research report for the Bell System has recommended a national public relations strategy to counter what the report calls "the knee jerk reaction of most of the public" that economic competition means lower prices and better service.

The report is an outline of how the Bell System proposes to guide public opinion against two important decisions by the Federal Communications Commission that have exposed the American Telephone and Telegraph Company and its subsidiaries to increased competition for the first time in several decades.

One of the commission decisions has permitted concerns other than the telephone company to manufacture and market such equipment as switchboards and dialing equipment that are "interconnected" with the national telephone system.

The other commission decision allows companies other than those associated with the Bell System—what are known as "specialized common carriers"—to provide point-to-point communications for large industrial customers.

The unusually candid research report outlining the telephone company's proposed strategy to mold public opinion, a copy of which has been obtained by The New York Times, appeared to have been written by the Planning Division of the Illinois Bell Telephone Company.

Major Obstacle

The report said that a major obstacle to the company's counterattack against the F.C.C.'s decisions was the public's "deeply held beliefs about the 'American way-of-life'—namely, the inherent benefits of competition or 'free enterprise'."

To meet this obstacle, the report called for "the intelligent exploitation of every avenue of communication available to us, the careful targeting of specific points in unique approaches and all part of an over-all and systematic development of our case before the public."

The report said the purpose of the research on which it had based its conclusions was not to find the one best answer, but rather to "sharpen the focus and presentation elements of a selected set of 'facts.'"

The research report did not explain the precise objectives of the proposed public relations program. But the program appeared to be a broad effort to persuade the F.C.C. through the public to reverse its earlier rulings or at least go no further in adopting rules that force the telephone company to compete for certain kinds of business.

Allegations of anticompetitive business practices by A.T.&T. will be the subject of a hearing by the Senate Antitrust and Monopoly Subcommittee on Thursday.

The hearings are part of a series aimed at collecting information to support a bill introduced by Senator Philip A. Hart, the subcommittee's chairman, to outlaw monopoly power in seven industrial sectors.

"Competition and the belief system surrounding it and the 'free enterprise system' is the fulcrum on which our case and that proposed by the F.C.C. teeters," the report concluded.

"The knee-jerk reaction of most of the public is that 'competition' among companies providing products or services is inherently and always 'good'—resulting in the lowest prices and highest quality and choice in the marketplace," the report states.

Noting that "our argument asks the public to accept the antithesis of what they have been enculturated to believe," the report said there were potential dangers in the proposed public relations program.

"Thus, in pursuing our objectives," the report continued, "we stand to alter forever key elements of our image that we are not sufficiently innovative or technologically competent to overcome the challenges of competition [from the specialized common carriers] and interconnection."

The report added that in speaking out "we may not only contribute to the declining trust in our American institutions—Government and business—but we may well alter the course of public consensus not only regarding our industry but other industries as well."

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